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May 10, 2001

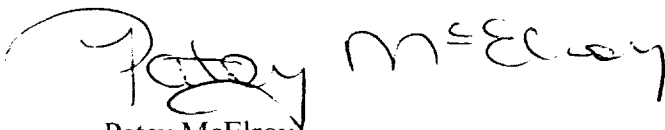
Mr. David Waddell  
Executive Secretary  
Tennessee Regulatory Authority  
460 James Robertson Parkway  
Nashville, TN 37243-0505

**RE: Docket # 00-01128 – Petition of On-Site Systems, Inc. to amend its Certificate of Convenience and Necessity – City of Coopertown**

Dear Mr. Waddell:

Enclosed please find the testimony of Charles L. Pickney, Jr. as you requested. If you have any questions, or need anything further, please do not hesitate to call.

Sincerely,



Patsy McElroy  
Assistant to Mr. Pickney

## **TESTIMONY OF CHARLES L. PICKNEY, JR.**

On-Site Systems, Inc. is a Tennessee corporation which was formed in March of 1993. At the time of forming, the corporation had three stockholders and officers: Robert Pickney – President/Treasurer, Thomas Pickney – Vice President, and William Pickney – Secretary. The purpose of forming the corporation was to establish a public utility company that would provide sewer service.

The Pickney brothers had been in the on-site sewer system construction business since 1989 and were familiar with a combination of on-site technologies that would make it possible to provide sewer service to small communities and subdivisions. Realizing that proper operation and maintenance would be critically important to the long term success of these systems, they created On-Site Systems, Inc. to provide for that need. In addition to maintenance and operation, the Pickney brothers were in a unique position to provide technical expertise and management to insure that the systems would be properly designed and constructed.

Prior to joining my brothers in On-Site Systems, Inc., I had spent much of my career in management of engineering firms. I earned a bachelors degree in Mechanical Engineering from Tennessee Technological University in 1973 and a masters degree in Business Administration from the University of North Alabama in 1977. I passed the professional engineer's examination in 1978 and became licensed to practice engineering in three states. In 1982, I established the consulting engineering firm, Pickney & Associates, Inc., and by 1987 it had grown to employ 25 people. The firm was acquired by a larger one and from 1987 to 1994, I was an owner in the engineering-architectural firm of SSOE, Inc.

and served as the shareholder in charge of the Nashville office. Approximately 50 of the firm's 600+ engineers, architects, and designers worked in the Nashville office where we conducted a general consulting engineering practice. This practice included water and waste water system design and environmental engineering.

After becoming involved with On-Site Systems, Inc., in 1994, I traveled extensively to seminars, exhibitions, and symposiums to learn about current technical developments in the on-site sewer industry and to talk to people from all parts of the United States about research and on-site sewer system developments in their regions.

I was one of the founders of the Tennessee On-Site Wastewater Association. In November of 1998, I was elected to a three-year term on the board of the National On-Site Wastewater Recycling Association and I am currently serving as the Secretary-Treasurer.

On April 4, 1994, the Public Service Commission granted to the company it's original certificate of need and necessity to provide sewer service to Oakwood Subdivision in Maury County. In October of 1994, I became a stockholder of On-Site Systems, Inc. and was elected president of the corporation; Robert Pickney was elected as vice president, Thomas Pickney as treasurer and William Pickney as secretary.

On-Site Systems was subsequently awarded additional service territories by the Tennessee Regulatory Authority to include Southridge Subdivision in Montgomery County (1997), Swan Harbor Subdivision in Roane County (1997), River Road Utility District in Cheatham County (1997), Milcrofton Utility District in Williamson County (1997), Tall Oaks Subdivision in Blount County (1998), Yoakum Hollow Development in Campbell County (1998) and Shreibam Development in Cannon County (1999), Cornerstone of Mitchell Creek in Overton County (2000), Bolton Area in Shelby County (2000), Harbor

Pointe in DeKalb County (2000), Ussery # 1 in Sevier County (2000), Townsend Town Square in Blount County (2000), Hidden Springs Resort in Sevier County (2000), Eagle Crest in Sevier County (2000), and Legacy Bay in Hawkins County (2000).

Until now, the city of Coopertown had no means of obtaining a sewer system. In order for the town to grow and attract new commercial and industrial customers and new residential developments, it is imperative that they acquire a sewer system. The most immediate need for the city is to develop commercial businesses at the Highway 49 and Interstate 24 interchange. This will enhance the city tax base and provide funding for other needed city services. In addition, the city needs to attract new industry and having sewer available would greatly enhance their ability to do that. On-Site Systems, Inc. can provide a solution to the city's needs because the types of customers that the city hopes to attract would be able to pay the costs of building the decentralized systems.

The proposed sewer rate for each residential customer in Coopertown is based on the rates previously set by the Tennessee Regulatory Authority for the type of technology being used to provide the sewer service. The proposed franchise fee would be a pass through cost that would be added to the flat monthly rate being charged. As an example, for watertight effluent collection, sand-gravel filter treatment and drip irrigation, the proposed amount for sewer service is \$35.11. If a \$4.00 per month franchise fee is passed through to the customer, the amount the customer would pay would be \$39.11. The \$4.00 collected would be sent to the City of Coopertown. The franchise fee for commercial customers would be passed through in a similar manner.

On-Site Systems will only charge franchise fee to customers living within the city limits of Coopertown. This will be insured through our billing system. The billing system at

On-Site Systems has the capabilities of applying a single rate to all customers. The proposed franchise fee was set by the City of Coopertown in Ordinance 01-01. I am not sure of all of the factors that went into the City's decision as I was not present for the deliberations of city officials. I have requested that an official from the city of Coopertown address the Tennessee Regulatory Authority regarding franchise fee amounts.

When On-Site Systems petitioned the Tennessee Regulatory Authority to serve Townsend Town Square in July of 2000, it was an important event. This was our first system that would be constructed to serve commercial customers. The petition included a proposed rate structure for commercial customers with food service and without food service and was based on Pickney Brothers experience with maintaining these types of facilities. While this rate structure was well suited for the customers that would occupy the shopping center of Townsend Town Square, it does not work well for a single customer that has large daily water usage and flows such as a school or a motel. As On-Site Systems grows and services larger areas, we must find a way to serve new types of customers on a fair basis. That is the situation we are now facing.

In the City of Coopertown, we are likely to have a large motel, a large restaurant and a school as customers. In order to serve these types of customers, and have the fee be proportioned to the cost of providing the needed sewer service, we need to revise our commercial rate structure as marked on the proposed commercial rate sheets. As an example, referring to the rate schedule marked existing, if we were to provide sewer service to Coopertown Elementary School using water tight effluent collection, sand-gravel filter treatment and subsurface disposal, and the design daily flow for the school is 10,000 gallons, the monthly sewer bill for the school under the existing rate structure would be \$1,756.00.

This is too high based on the costs of providing the service. In commercial systems the facilities for collecting and treating the waste require more intense maintenance procedures and the cost to provide maintenance for five or six small systems as compared to a single large system is considerable less.

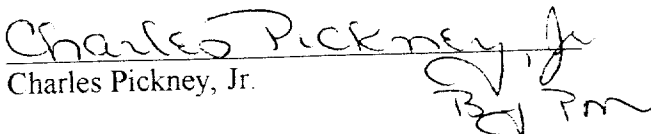
Based on the Pickney Brothers experience with providing maintenance service for schools and other commercial systems over the years, we feel the revised rate would result in a fair amount for a large commercial customer to pay and appropriate for the maintenance services provided.

Referring to the rate schedule for commercial systems with food service marked proposed – the cost to provide sewer service to Coopertown Elementary School with a design daily flow of 10,000 gallons would be \$1,560.00. This would be a reduction of \$196.00 per month for that customer.

The only commercial customers we presently have are at Townsend Town Square Shopping Center and they are paying the current rate which is appropriate for them. In order to provide for large commercial customers at Coopertown and other new service areas to come, it is important that we make this adjustment now, before we have that type of customer.

While this adjustment will have no effect on existing revenues, it will result in lower future revenues from large commercial customers.

This concludes my testimony.

  
Charles Pickney, Jr.